

BILL # HB 2819

TITLE: adult probation; county responsibility

SPONSOR: Pearce

STATUS: As Introduced

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FISCAL ANALYSIS

Description

This bill would transfer funding responsibility for state juvenile probation costs to Maricopa County in exchange for an equivalent reduction of Maricopa County contributions to the AHCCCS programs. The bill allows, but does not require, other counties the same exchange option for state juvenile and adult probation costs. This bill would increase the probation surcharge the state collects from Superior, county, and municipal courts on civil and criminal traffic offenses from \$5 to \$10 per offense.

Estimated Impact

The bill does not have a General Fund impact in FY 2007. If counties assume funding responsibility for probation programs, the General Fund savings would be offset by higher state AHCCCS costs. In FY 2008 and beyond, the bill is expected to have a General Fund cost since AHCCCS costs are rising more rapidly than probation costs. The magnitude of the cost will depend on how many counties participate in the exchange. If all counties participated in the exchange in FY 2007, the state would have an estimated net General Fund cost of \$696,300 beginning in FY 2008. This dollar amount would continue to grow to \$5.1 million in FY 2012 if current growth rates continue.

The \$5 increase in the probation surcharge would generate \$3.3 million in revenue in FY 2007. If a county does not opt into the exchange, their share of the fee would be deposited into the Judicial Collection Enhancement Fund (JCEF). For those counties assuming funding responsibility for probation programs, they would retain all of their surcharge collections and not deposit their surcharge revenues in JCEF.

Analysis

Current Law

Counties currently operate both juvenile and adult probation services with funding from the state. In FY 2007, the counties will receive \$35,480,500 in direct state aid for probation costs, \$17,024,300 for juveniles, and \$18,456,200 for adults. The latter amount excludes assistance to Maricopa County, which assumed funding responsibility for adult probation in FY 2004. After excluding state probation funding to Maricopa County, state probation costs have grown by an average of 0.4% per year for the last 4 years and are estimated to increase \$131,100 in FY 2008.

In FY 2007, counties will pay \$316,447,200 for the costs of the Arizona Health Care Cost Containment System. This payment includes the \$2,531,900 Budget Neutrality Compliance Fund (BNCF) deposit, \$61,868,700 in acute care contributions, and a \$252,046,600 contribution to the Arizona Long Term Care System (ALTCS). The BNCF is used for administrative costs relating to the implementation of Proposition 204 and is increased annually by the Gross Domestic Product (GDP) price deflator. Maricopa County does not contribute to the BNCF as part of the exchange for previously assuming adult probation costs. The \$61,868,700 in acute care contributions consist of a \$59,222,500 acute care contribution and a \$2,646,200 uncompensated care contribution. Except for Maricopa County's contribution changes as part of the adult probation exchange, neither of these contributions has been changed since FY 2002. The ALTCS county contributions are assessed to each county based on their utilization of long term care services. The counties and state have a 50/50 split for sharing the annual ALTCS growth. Due to recent cost increases, annual county ALTCS contributions have grown by an 18.4% average from FY 2005 to FY 2007.

HB 2819

The bill allows counties the option of taking on adult and/or juvenile state probation costs in exchange for an equivalent reduction of county contributions to the AHCCCS program. The bill requires Maricopa County to make this exchange. The

reductions would be taken out of 3 contributions in the following order of priority: 1) BNCF, 2) acute care, and 3) ALTCS. *Attachment 1* details the 3 current county contributions to AHCCCS, state probation costs for adults and juveniles, and what percentage and dollar amount of their 3 contributions counties would retain if they assumed all state probation costs. Cochise, Gila, Maricopa, Pima, and Pinal counties have enough contributions in the first 2 categories to cover a transfer of all state probation costs without reducing their ALTCS contribution. The remaining 10 counties would eliminate their BNCF and acute care contribution as well as reduce their ALTCS contributions if they assume the state's adult and juvenile probation costs.

For those 10 counties reducing their ALTCS contribution, the county would retain a share of their ALTCS base ranging from 40.6% in Greenlee to 99.3% in La Paz. For example, if Apache County opted for the exchange, it would assume responsibility for \$694,000 in probation costs. In return, Apache County would have no BNCF payment of \$83,500, no \$356,100 acute care contribution and a \$254,400 reduction in ALTCS. They would continue to make an ALTCS payment of \$339,900, which is 57.2% of its original \$594,300 ALTCS payment.

If a county opts for the exchange, its future AHCCCS contributions to each program will remain at the same percentage as in the first year of the exchange. In future years for example, Apache County would continue to pay only 57.2% of its share of the ALTCS payment.

In FY 2008, if all counties assume funding responsibility for probation programs, the state would assume additional ALTCS growth costs of \$683,100 GF. For the Apache County example in FY 2008, Apache County would only pay 57.2% or \$339,300 of its \$666,600 estimated FY 2008 ALTCS costs. The \$666,600 represents an FY 2008 increase of \$72,300 over Apache County's \$594,300 FY 2007 ALTCS contribution. Apache County would pay \$41,400 and the state would pay \$30,900 above FY 2007 for the \$72,300 increase.

A county's percent contribution factor refers to the percent of its current payment that it will continue to make in future - it does not represent their share of overall long term care costs. In determining a county's ALTCS contribution, 3 circuit breakers are applied, which results in the state paying more than just 50/50 in some cases. In FY 2007, the state will pay \$6,809,400 or 92.0% of the \$7,403,700 total Apache County ALTCS costs. Under the probation exchange, the state would pay \$7,064,400 or 95.4% of Apache County's total FY 2007 ALTCS costs.

Probation Surcharge

By increasing the surcharge from \$5 to \$10, the bill would increase the amount collected by \$3.3 million to \$6.6 million. Counties electing to take on state probation costs would be allowed to retain 100% of their surcharge collections. In FY 2006, the state will retain approximately 24% of total collections and reallocate the remainder among counties. AOC estimates that 10 counties would benefit from opting into the exchange. Despite the doubling of the surcharge, the remaining 5 counties would receive more from the current AOC reallocation than from the higher surcharges. For example, if Graham County opted for the exchange, it would keep an estimated \$30,600 in probation surcharge monies. However, this would be \$(22,700) less than originally allocated by AOC.

Table 1				
Probation Surcharge FY 2007				
	<u>Estimated Allocation</u>	<u>Collections (\$5)</u>	<u>Collections (\$10)</u>	<u>Difference</u>
Apache	\$ 58,300	\$ 29,800	\$ 59,600	\$ 1,300
Cochise	139,700	103,100	206,200	66,400
Coconino	142,000	138,500	277,000	134,900
Gila	68,700	57,700	115,400	46,700
Graham	53,200	15,300	30,600	(22,700)
Greenlee	17,100	1,200	2,400	(14,600)
La Paz	21,300	49,000	98,000	76,700
Maricopa	192,600	1,960,700	3,921,400	3,728,800
Mohave	152,000	142,300	284,500	132,500
Navajo	129,100	35,700	71,400	(57,700)
Pima	804,900	366,800	733,700	(71,200)
Pinal	159,600	135,600	271,200	111,600
Santa Cruz	43,000	38,100	76,200	33,300
Yavapai	245,400	141,300	282,600	37,200
Yuma	273,100	79,800	159,500	(113,600)
Total	\$2,500,000	\$3,294,900	\$6,589,700	\$4,089,600

This analysis uses the FY 2007 JLBC Baseline for AHCCCS county contributions and assumes the 18.4% annual average ALTCS growth from FY 2005 to FY 2007 will continue to FY 2008. The FY 2008 BNCF increase of \$144,300 uses the FY 2007 2.3% GDP and 3.4% population increases applied to the \$2,531,900 FY 2007 base. FY 2007 and FY 2008 state probation costs are based on the 0.4% average growth from last 4 years applied to the \$35,349,900 FY 2006 base. In addition, the analysis assumes that state probation costs consist of the adult and juvenile allocations for standard and intensive probation.

Local Government Impact

Please see the main narrative for local government impacts.

2/20/06

Attachment 1

FY 2007 State Probation Costs and AHCCCS Contributions by County

<u>County</u>	<u>BNCF Pre-Exchange</u>	<u>BNCF Contribution % ^{1/}</u>	<u>BNCF Post-Exchange</u>	<u>Acute Care Pre-Exchange</u>	<u>Acute Contribution % ^{1/}</u>	<u>Acute Care Post-Exchange</u>	<u>ALTCS Pre-Exchange</u>	<u>ALTCS Contribution % ^{1/}</u>	<u>ALTCS Post-Exchange</u>	<u>Total AHCCCS Contributions</u>	<u>State Probation</u>
Apache	\$ 83,500	0%	\$0	\$ 356,100	0%	\$ 0	\$ 594,300	57%	\$ 339,900	\$ 1,033,900	\$ 694,000
Cochise	155,700	0%	0	2,377,500	37%	879,700	5,982,600	100%	5,982,600	8,515,800	1,644,100
Coconino	153,600	0%	0	903,400	0%	0	1,783,000	49%	871,800	2,840,000	1,968,200
Gila	63,100	0%	0	1,479,100	39%	576,800	3,529,100	100%	3,529,100	5,071,300	971,000
Graham	44,800	0%	0	583,000	0%	0	959,300	94%	897,200	1,587,100	689,900
Greenlee	11,500	0%	0	202,700	0%	0	222,900	41%	90,500	437,100	346,600
LaPaz	23,900	0%	0	237,000	0%	0	838,400	99%	832,200	1,099,300	267,100
Maricopa	0	0%	0	31,192,200	77%	24,018,000	150,313,300	100%	150,313,300	181,505,500	7,261,800
Mohave	179,200	0%	0	1,425,100	0%	0	8,327,700	95%	7,923,700	9,932,000	2,008,300
Navajo	117,400	0%	0	433,600	0%	0	2,458,400	74%	1,820,300	3,009,400	1,189,100
Pima	1,067,700	0%	0	16,067,700	51%	8,194,500	46,274,300	100%	46,274,300	63,409,700	8,983,600
Pinal	208,900	0%	0	2,933,900	34%	997,500	11,262,100	100%	11,262,100	14,404,900	2,153,600
Santa Cruz	49,400	0%	0	534,400	0%	0	2,349,800	85%	1,993,000	2,933,600	940,600
Yavapai	197,300	0%	0	1,634,000	0%	0	10,779,000	94%	10,118,900	12,610,300	2,491,400
Yuma	175,900	0%	0	1,509,000	0%	0	6,372,400	66%	4,186,100	8,057,300	3,871,200
Total	\$2,531,900		\$0	\$61,868,700		\$34,666,500	\$252,046,600		\$246,435,000	\$316,447,200	\$35,480,500

^{1/} If a county opts for an exchange, their future contribution to AHCCCS programs would be set at the same percentage as their initial year contribution. For example, if Cochise County opted for the exchange, it would assume responsibility for \$1.6 million in probation costs. In return, Cochise County would have no BNCF payment of \$155,700 and \$0.9 million, or 37.0%, of its \$2.4 million acute care payment. Cochise County's ALTCS payment would remain unchanged. In future years, Cochise County would continue to pay only 37.0% of its acute care contribution.